

**DUBLIN CITY COUNCIL
FINANCE COMMITTEE MEETING
Wednesday, August 8, 2012
Council Chambers**

Minutes of Meeting

Ms. Chinnici-Zuercher, Chairperson, called the meeting to order at 6:00 p.m.

Finance Committee members present: Ms. Chinnici-Zuercher and Mr. Keenan. Mr. Gerber arrived at 6:15 p.m. due to traffic delays.

Mayor Lecklider and Mr. Reiner arrived at 6:20.

Staff present: Ms. Grigsby, Ms. Mumma, Mr. Thurman.

Consent Agenda

- Approval of Finance Committee minutes of April 9, 2012

Ms. Chinnici-Zuercher moved approval of the consent agenda item.

Mr. Keenan seconded the motion.

Vote on the motion: Ms. Chinnici-Zuercher, yes; Mr. Keenan, yes.

Second quarter 2012 - Financial Update

Ms. Mumma reported the following:

- General Fund Revenue

The total General Fund revenue through the 2nd quarter was \$34.7 million, which is a slight increase over the 2nd quarter of 2011. However, that slight increase is artificially low due to transfers and advances that took place in 2012 versus 2011. Excluding those transfers and advances, the General Fund revenue is actually up by 9.28 percent over the 2nd quarter of 2011. Those advances were repayments from the COIC fund as well as the Land Acquisition fund. The main driver of increase in General Fund revenue was the income tax increase. As the memo to Council indicates, overall, through June, the City experienced an increase in income tax revenue of 7.21 percent. Further compounding that positive news for income tax revenue is that refunds are down compared with the same period of time last year.

Looking individually at the components of the income tax revenue (withholding, net profit, individual returns), the revenue is up in all three areas. Withholdings through the 2nd quarter were up 5.4 percent; net profits were up nearly 20 percent; and individual returns were up 6.5 percent.

To update the status through July, because of timing differences, June revenues were higher than expected and July was lower than expected. Revenues that came in June 30 of this year actually came in during July of last year, so it evens out. July as a standalone was down, but the revenues are still up about 5.73 percent through July, year to date, over the same period of time last year.

Driving further down, staff reviewed the top ten, top 50, top 100, top 250, and top 500 employers to determine the City's sensitivity toward fluctuations in those withholdings. Staff found that the City's dependency on the top 10 employers is not as strong as

previously. The income tax withholdings from the top 10 employers actually declined 1.5 percent. Looking at the top 50 withholding accounts, the revenue is up 1.3 percent. This news is positive in terms of diversification of the withholding accounts.

The Committee has previously requested more information about how many taxpayers were e-filing and how many returns were received for 2011. At this point, the information indicates that the electronic filings were up 2.5 percent over last year and 3,500 people filed electronically. Staff continues to increase efforts for e-filing and it is hoped that some software changes will make this filing online even easier. For the tax year 2011 due in 2012, staff added a net amount of 2,600 new accounts. There were 285 corporate accounts, 1,800 individual accounts, and 502 new withholding accounts. These are net numbers, taking into account businesses and individuals who left the community.

Delving further into other General Fund revenue, charges for services were up 13 percent over the same quarter last year. This is related to sale of fuel and may be a timing issue. She expects this to level out going forward. Generally, with an increase in this revenue there is an offsetting expense. Timing can play a role in this. Fines, licenses and permits in the aggregate were down about 12.4 percent. However, there is a significant increase in building permits and plan review, so there is lots of activity -- both residential and commercial -- as reflected in the revenues.

Intergovernmental revenues were up 37 percent. This area is notable as there will be two areas impacted next year with the State budget cuts. Two large areas that make up this category are the Estate Tax and Local Government Funding. As expected, the Local Government funds were down 27 percent compared to the same period of time last year. The Estate Tax was up significantly, with \$465,000 coming in this year. The City budgets only \$25,000 in Estate Tax, but this revenue does help to offset some of the declining revenue sources in other areas. Estate Tax will be eliminated by the State next year, although there may be some residual run-off from estates settled in the last half of 2012.

General Miscellaneous Revenue is up significantly and is driven by the sale of property to Nestle. There was an offsetting expense related to the purchase of the land from The Ohio State University.

- Expenditures

Expenditures for the quarter were \$31.6 million, which is 11 percent over what was spent through the 2nd quarter of 2011. The main reason for the increase is the purchase of property from OSU for \$1.7 million. The City received approximately \$800,000 from Nestle for that transaction. After excluding this capital land purchase out of the General Fund as well as operating transfers to some other Funds, the City is up 3.4 percent over the same period of time last year.

In breaking down the expenditures in the General Fund, Personal Services – salaries and benefits – are up 9 percent over the same period of time last year. Again, timing can impact this because in the first half of 2012, there was an additional pay period versus the same period of 2011. Taking this out, the actual salaries and benefits are down compared with the same period of time last year. She explained that there were 27 pays in 2010, and in 2011 there were three pay periods in June and three pay periods in November. In 2012, the three pays occur in July and December. That timing artificially skews the numbers in comparing quarter to quarter.

Mr. Reiner asked if there were fewer employees this year than in 2011.

Ms. Mumma responded that there are some vacant positions not filled, but authorized in the budget. Some new positions were added in the 2012 budget. The change is not of a significant amount. Staff can provide more information on specific positions and the changes, if the Committee desires.

Ms. Chinnici-Zuercher asked to what degree the positions are automatically built into the operating budget.

Ms. Mumma responded that the City does plan for accrued leave payout, but in terms of employees leaving service, staff assumes for budgeting purposes that the current personnel will remain in service.

Ms. Chinnici-Zuercher stated that this may be problematic, because if the City doesn't build attrition into the budget, there is an assumption that the current authorized positions will remain for budgeting purposes.

Ms. Grigsby noted that a good example of this is that a building inspector resigned in 2012, and staff then conducts an evaluation of activity in that area. Over the past few years, staff has been aware that the staffing levels are higher than what the workload warrants, due to the economic downturn. That building inspector position has therefore not been filled. Staff does not look at the total payroll budget and make the assumption that 98 percent of it will be spent, as there are often vacancies that occur throughout the year.

Ms. Chinnici-Zuercher stated that many entities' budgets are built with an attrition amount deducted.

Mr. Keenan noted that Council reviewed this matter at last year's operating budget. He recalls there were many vacant positions that had been carried forward in the budget. In regard to the building inspector position, staff has reported tonight that there is a significant increase in building activity and plan review. How does this comport?

Ms. Grigsby responded that when discussions were held last year about staffing levels for the Building division and the level of activity, Mr. Tyler reported that there were two additional building inspector positions than what was warranted by the building activity. Staff then assigned those inspectors to additional Code enforcement work as well as bikepath maintenance and other areas. When a building inspector position became vacant, staff reviewed this and it was determined there was not a need to fill it at this time. With the next budget cycle, this will be reviewed again.

Ms. Chinnici-Zuercher noted that staff has indicated there is a 12 percent reduction in the revenue for fines, licenses and permits. Yet in that same category, the building permit revenues increased. Where was the bulk of the revenue decrease?

Ms. Mumma responded that one area was in Tree Replacement. Through the 2nd quarter of this year, the revenue is \$5,000, while last year the revenue was \$162,000. Overall, this revenue category is not a significant dollar amount, so if something abnormal occurs, the numbers can easily be skewed. There are some reductions in a few other categories that also impacted this revenue source.

Ms. Chinnici-Zuercher agreed that this revenue category is a small portion of the big picture, but Council's interest is with the trends for individual line items – not so much with fluctuations.

Ms. Grigsby added that \$50,000 of the revenue in Tree Replacement in 2011 was the final payment for Lifetime Fitness as part of their three-year commitment. The remainder was the City's share of the Tree Replacement for Emerald 5 – reimbursement from a TIF fund into the General Fund, which occurred in 2011.

Ms. Mumma noted that other General Fund categories include Supplies, which are up 1.3 percent over the same period last year. Travel and Training is down 5 percent, and Contract Services is even with the same period last year. There have been 9 percent more in advances to operational funds, which may even out as the year unfolds. Together, the General Fund Revenue and Expenditures through the 2nd quarter leave a General Fund balance of approximately \$48.1 million or 81 percent of the 2012 expenditures in the General Fund.

As outlined in the memo, the information regarding TIF revenues is not complete at the 2nd quarter reporting time, but this information will be available at the 3rd quarter presentation.

- Hotel-Motel Tax Funds

Ms. Mumma stated that hotels continue to do well, with the tax revenues from this source up 11 percent over the same period of time last year. All but one hotel has experienced increased revenues over the same period.

She offered to respond to questions.

Ms. Chinnici-Zuercher stated that she is aware that the DCVB has noted that the room rates for hotels have decreased over the past five years in order to attract customers and that the room rates are now increasing slowly. This has some relation to the increase in revenue, if they are in fact continuing to increase their room rates.

Ms. Mumma stated that staff will gather this information and provide an update to the Committee.

Mr. Gerber apologized for his late arrival, which related to a traffic accident in Dublin. With respect to projecting revenues for the remainder of 2012, he notes that the withholdings and net profits of businesses are up, which is positive. He wonders

whether the upcoming changes in the tax code and the health care tax law will have impacts to the City. He assumes the City will take this into account in projecting revenue for next year.

Ms. Mumma responded that staff takes into account any information available at the State or federal level in order to make the City's revenue projections. For that reason, staff has already adjusted the projected revenues for 2013 from the Local Government Funds. If staff becomes aware of other impacts for the City budget, they will inform Council.

Mr. Gerber asked how one can monitor that going forward.

Ms. Mumma responded that staff monitors the City income tax revenues on a daily business. In addition, Tax Administrator Gibson is very involved in the Ohio Municipal League tax group and is a strong advocate for what is best for the City of Dublin and other Ohio cities. Ms. Gibson allocates a good portion of her time to focus on the statewide issues and potential impacts for cities.

Mr. Gerber stated that he is aware that the City is very conservative in its budgeting practices. He does not want to see a big bubble at the end of the year, and then later learn it was a one-time occurrence.

Ms. Mumma added that the City is not revising its revenue estimates, even with the positive increases reported tonight. Staff has revised the income tax revenues to a modest increase of three percent. Staff recognizes there is a need to balance a worst case scenario against the reality of what is being experienced. She is comfortable with the estimate of three percent increase for income tax revenues for 2013.

Ms. Grigsby added that in 2010, at the time of the potential tax changes for 2011, staff's concern was that many entities would make payments in 2010 versus 2011. Therefore, the 2011 estimates were even more conservative. If Council is aware of any potential impacts, she encouraged them to share that information with staff.

Ms. Chinnici-Zuercher stated that Mr. Gerber's point is well taken, in that the City has a healthy investment fund, which would provide resources in the case of a major change. There is a balance point, however. If there are needed projects, the City should proceed with them versus postponing them and taking a very conservative approach. It is possible that the citizens at some point could ask why the City is not considering a reduction in taxes, given the balance in the reserves.

Ms. Grigsby responded that is a good point. A healthy reserve is needed, but the City collects revenues in order to provide for services and infrastructure. Over the past years, in the CIP process, various projects have been accelerated and added because of the sufficient dollars available to do so. Going forward, there are specific areas such as the Bridge Street District with opportunities for significant projects that will have an impact on the City.

Mr. Gerber recalled that in the Bridge Street Corridor process, it was acknowledged that the City will need to make some investments when this development begins. These reserves will be available as a source for that funding.

Ms. Grigsby noted that, at staff level, there has been discussion that if there are any projects that need to be undertaken, they will be reviewed and brought to Council. An example is the shared use paths and accelerated path maintenance that is taking place.

Guidelines for Preparation of the 2013 Operating Budget

Ms. Chinnici-Zuercher asked if staff has information to share about this topic.

Ms. Mumma stated that staff is now reviewing revenues and expenditures and projections for the year. Staff then looks at the projected revenue for next year, and various scenarios for increases in operating expenditures. The salaries and benefits are looked at separately, and Human Resources is undertaking a compensation study at the end of 2012. The guidelines sent out to staff for preparation of the operating budget do not necessarily mean that increases will be done across the board. She and Ms. Grigsby have discussed that staff always needs to justify any proposed increases in expenditures. Similarly, staff is open and receptive to new initiatives or necessary items that result in increased expenditures. The goal is to strive for a balance between expected revenues while staying within a three percent guideline for growth. As the operating budget review time approaches, adjustments will be made if something changes. And if Council brings forward new initiatives, the adjustments will be made to accommodate these new programs.

Ms. Chinnici-Zuercher stated that three things come to mind in regard to the level of investment the City is making with the operating budget – whether operations or staffing. These are technology, economic development and the transportation and infrastructure for the Bridge Street Corridor. It was assumed from the outset of the Bridge Street Corridor discussions that the City would need to make a financial investment. How that would be packaged is a different issue. She remains concerned that the City incrementally makes advances in some of these areas, where it is possible that a quantum leap could be achieved with more significant investment in the areas.

Mr. Gerber stated that Council has established goals and objectives, and he assumes all of Council would like to accomplish those as soon as possible. He would be curious to know what each department is doing to further these objectives and how they go about preparing their budgets before it comes to Council. He is not a proponent of a blanket increase for all departments. For him, it is important that the investments and timetables be tied to the goals and objectives, and are related to the resources available.

Ms. Grigsby responded that the guidelines are sent out with the understanding that the overall operations will not increase by more than a certain amount. Last year, for example, there was a much more significant budget increase for Parks in recognition of the additional work the horticulture staff was doing to meet the City's expectations. The City does not use a zero-based budgeting approach. The information submitted is online and details the various budget requests. Staff reviews the budget requests and compares them with last year's requests. Everyone is aware that there is not simply a three percent increase available for 2013 across the board.

Mr. Reiner stated that many other agencies spend their entire budget allocation. He has always been aware that Dublin staff does a good job of managing the budget.

Many agencies spend their entire budget in order to secure more funds the next year. That is not the practice in Dublin.

Ms. Grigsby responded that staff is also aware that if there is truly a need for additional budget funds, and there is appropriate justification, staff will bring this forward to Council. She cannot recall a time when Council did not approve such a request.

There were no further comments.

Mayor Lecklider moved to adjourn to executive session at 6:40 p.m. for discussion of personnel matters related to the appointment and/or employment of a resident, public employee or official.

Vice Mayor Salay seconded the motion.

Vote on the motion: Vice Mayor Salay, yes; Mayor Lecklider, yes; Mr. Reiner, yes; Mr. Keenan, yes; Ms. Chinnici-Zuercher, yes; Mr. Gerber, yes; Mrs. Boring, yes.

Clerk of Council